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## **Targeting State Social Assistance to the Most Needy: The Armenian Experience**

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### **Abstract**

The paper provides an overview and insights into the current social assistance program in Armenia. It begins by outlining briefly the system of state social assistance that prevailed in the immediate post-Soviet period and the initial changes implemented during the first years of Armenia's independence. It traces the transition from a single basis for allocating state compensation, the problems associated with the compensation or benefit being allocated regardless of family asset size, and the anomalies that arose with more than one type of benefit often being allocated to the same person. The result was an ineffective and sometimes unfair distribution of the scarce funds available for social assistance. Then the paper presents recent developments in the state social assistance scheme and the mechanisms associated with the introduction of the Family Vulnerability Evaluation System. It includes a summary of recent surveys, research and analysis which contributed to the development of current policy initiatives and it presents the main concepts and principles that serve as a basis for improved targeting. The paper concludes by outlining the new directions and ideas for the organization of social assistance that are currently being discussed among government agencies and policy makers.

The views expressed in this Working Paper are those of the author(s) and do not necessarily represent those of the Armenian International Policy Research Group. Working Papers describe research in progress by the author(s) and are published to elicit comments and to further debate.
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## **Background**

During last 10 years, Armenia's Ministry of Labor and Social Security (MLSI) has been working to gradually improve the system of state social assistance. In close collaboration with other government agencies, public organizations and international donor organizations, and using all available resources, learning from mistakes and omissions and studying international experience, the MLSI has developed a system, which today is one of the bests in the region and provides almost 45-46% of targeted funds to the poorest quintile<sup>1</sup>. The goal of the social protection policy developed by MLSI is to exercise and protect the economic, social and legal guarantees for human rights and liberties in Armenia. One of the main areas of state management of the social risks is the provision of social assistance that allows the state to reduce the social risks related to the low and inconstant incomes of vulnerable groups and to ensure that they receive a minimum level of welfare.

### **1. Systems of Privileges for Citizens of Armenia in the Soviet Period and Immediately Following Independence**

Until 1997, state social assistance in Armenia largely followed the former Soviet approach which provided a benefit under defined state privileges to 'at risk' groups in society. These were the elderly, children, people with disabilities as well as citizens who had completed a special service to the state – participants in the Great Patriotic War, heroes of labor etc.

#### ***1.1 Shift from the system of privileges to the system of compensations for privileges***

In 1997, new procedures were established to provide monetary compensation to certain groups of the population defined by the legislation, rather than based on privileges. The only basis for allocating the state compensation became the person's belonging to a certain "social risk group" (children, people with disabilities, pensioners and other groups).

Before 1997, there were 26 types of compensations and benefits allocated under different Government decrees. There was a total of 470,950 beneficiaries (approximately 20% of the population), and the total annual amount paid to them was approximately 14.9 billion drams (28 million dollars). However, this compensation or benefit was allocated without considering the individual as a member of the household and without taking into account the level of the household's welfare. As a result, many payments were being made to individuals who lived in rather well-off families and very often the same person was receiving more than one type of compensation. The result was an ineffective and not always fair distribution of the scarce state budget funds available for social assistance. Hence, there was a need to implement a targeted social policy which focused not only on

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<sup>1</sup> World Bank. *Program Implementation Matters for Targeting Performance Evidence and Lessons from the ECA Region. Concept paper, September 9<sup>th</sup> 2004.* Emil D Tesliuc, Economist HDNSP

an individual's social group but on many other factors as well, especially those that related to the individual's environment.

### ***1.2 Distribution of humanitarian aid parallel with systems of privileges and compensations***

Similar problems were faced when distributing humanitarian assistance. Armenia began to receive humanitarian assistance after the destructive earthquake in 1988. Humanitarian aid was either targeted to certain groups (for example, to children under the age of 2) or provided for the majority of population. During the worst years of the economic collapse (1992-1995), Armenia received humanitarian assistance almost all the time, and this assistance was distributed to almost 80% of the population.

Initially, humanitarian aid was again distributed based on the individual's belonging to a certain social group regardless of their level of vulnerability. To receive assistance simply involved a visit to the social service center to submit the appropriate application and relevant document verifying that one belonged to one of the social groups designated for assistance. The allocation of humanitarian assistance was noted in the person's passport and over 500,000 people received humanitarian aid under this categorization process. However, it was clear that this distribution system could not continue for long, as many persons under the same social category were living in households with different levels of welfare. In later changes, applications that were justified by appropriate certificates and/or documents were registered and processed, and then social workers made personal visits to households to check the veracity of the documents submitted. A lot of information on applicants was accumulated and clarified under these arrangements.

As a result and to ensure equity, it became necessary to develop systematized records on income and size of each household registered in the system and to substantiate the type and volume of aid provided to each given household.

## **2. Development and Introduction of the Family Vulnerability Evaluation System**

### ***2.1. Shift from the system of compensation based on privileges to a unique system of poverty family benefits***

In order to define the appropriate level of assistance for each household registered, it became important to assess the level of vulnerability of these households. Thus, in 1994 the "PAROS" system for household vulnerability assessment was established and introduced in Armenia. The system included:

- State organizational structures of social assistance,
- A database containing wide and detailed information on households in Armenia,
- Document flow technology, i.e. principles for entering data on applicants into the system and the principles of data processing,

- Methodology for household vulnerability assessment and principles (scenario) for distribution of humanitarian assistance.

To receive state compensation or humanitarian assistance, a family must lodge an application and appropriate documents to the social service and be registered in “Paros” system. If one of the members of the family belongs to this or that social group and presents appropriate documents he/she automatically was included in the system and was entitled to receive state compensation or humanitarian assistance.

During the initial years, applicants were asked to present the originals of the documents/certificates requested and the registration was processed on the basis of the certificates provided. But no copies of those documents/certificates were stored at the social service office and this resulted in increased fraud. However, it is worth noting that taking into account the number of registered households (643,000) in 1994, the volume of humanitarian assistance at the time, the political and economical situation in the country (blockade, fuel and energy crisis, Karabagh conflict), that the principles of organization of the this stage of the work were the only appropriate solution at the time. Since 1997 a new structure of documentation was introduced in Paros system which required certain data on individual households to be supported by a copy of the relevant document/certificate.

Since 1999, the system of state family benefits – Poverty Family Benefits System (PFB system) has replaced the system of state compensations and humanitarian assistance distribution in the sphere of social assistance.

The following concepts and principles serve as a basis for the family benefit model:

- Recognition of the household (not the individual) as belonging to the minimal socio-economic unit of society to which the state social assistance is targeted;
- Definition of the quantitative assessment of the vulnerability level of the household based on a group of socio-economic indicators;
- Definition of a certain marginal score for the assessment of the level of welfare of the household, which will serve as a basis for the allocation of state social assistance;
- Definition of the amount of the benefit depending on the size, composition or level of vulnerability of the household.

## ***2.2. The indirect method of estimating the level of family vulnerability***

The level of the vulnerability of a household (or targeting of social assistance) is identified by a formula which has been developed on the basis of the experience gained from the distribution of humanitarian assistance and relevant estimates of local and international experts. The following factors that have a direct impact on the level of vulnerability are used in the formula:

- Household members belonging to certain social categories -  $P_p$ ,

- Number of household members incapable of work -  $P_c$ ,
- Place of residence -  $P_r$ ,
- Housing conditions -  $P_h$ ,
- Ownership of a private car -  $P_a$ ,
- Family business or private business -  $P_b$ ,
- Conclusion of the Regional Social Service Centers or local government on the social and economic status of the household -  $P_f$ ,
- Total income of the household -  $P_i$ ,

The level (or score) of vulnerability is identified as product of these factors:

$$P = P_p \times P_c \times P_r \times P_h \times P_a \times P_b \times P_f \times P_i \quad (1)$$

The first factor,  $P_p$ , is considered as the basic factor, as it shows whether any of the household members belong to certain social categories. Each social category brings additional points to the scoring, which is the weight of the given category in the scale of vulnerability. Where the individual belongs to more than one social category, the sum of the relevant scores for those social categories is weighted by an adjusting coefficient (see example in attachment to this report). Other factors are coefficients used for making the level of household vulnerability more accurate.

Average household vulnerability is calculated as the arithmetical average of the individual scoring of all household members.

For most settlements, the coefficient for “Place of residence” is 1, but for 173 settlements, including settlements in the earthquake zone and certain bordering areas, the ratio is either 1.03 or 1.05 based on a special decree issued by the Government.

Other four filtering ratios i.e.  $P_h$ ,  $P_a$ ,  $P_b$  and  $P_f$ , are binary: they take two values, either 0 or 1. In cases where any one of these take the value “0”, the vulnerability scoring becomes “nil” and the household becomes ineligible for benefit.

“Total household income” is a more complicated coefficient and is calculated by the following formula:

$$P_i = 1.2 - 0.04 \times \frac{\sum_{j=1}^n s_j}{m \times M}, \quad (2)$$

where  $n$  is the number of household members,  $s_j$  is the monthly income of  $j$  member of the household,  $m$  is the number of household members present and  $M$  is minimum national salary officially defined by the Government. Income includes salary, as well as revenues generated from entrepreneurial activities, research and creative work, pensions, stipends and unemployment benefits. The total income of those households that own land includes the income generated from the land and the total income of those households that own cattle includes the income generated from cattle breeding.

The primary information collected and verified by the social service specialist (including through home visits) is entered into the local database of the regional center and the vulnerability score of the family is calculated. Based on the state budget funds allocated for family benefits, 36.01 was accepted as the lowest calculated vulnerability score entitling families to family benefits. These scoring results are used also for providing all other types of social and humanitarian assistance.

In general the following social programs are being implemented in Armenia:

1. The poverty family benefits and lump sum financial assistance program – this is the basic program;
2. Social pensions;
3. Child allowance for children under two years of age;
4. Lump sum childbirth allowance (funded by the State Social Insurance Fund);
5. Provision of free compensatory aids and rehabilitation devices, and repair of such devices to the disabled;
6. Residential care for old people and children without parental care;
7. Home care for the elderly and the disabled living alone;
8. State assistance for young people leaving care institutions;
9. Benefit for work;

**Table 1. Social programs implemented in Armenia**

<b>Type of Social Assistance</b>	<b>Budget Allocations <i>mln drams</i></b>	<b>Number of beneficiaries <i>persons</i></b>	<b>Monthly payment <i>drams</i></b>	<b>Monthly payment <i>Dollars</i></b>
Poverty family benefits and lump sum financial assistance program	16 093,0	165 322	7 000	14
Social pensions	2 500,0	45258	3 560	7
Child allowance for children under two years of age	252.0	7721	2 300	4.6
Lump sum childbirth allowance	2 565,0	28884	35 000	70
Free compensatory aids and rehabilitation devices to the disabled	395,5	5500	X	X
Residential care for old people and children without parental care	2,1	900	X	X
Home care for the elderly and the disabled living alone	1,2	1 200	X	X
State assistance for young people leaving care institutions	119,0	44	X	X
Benefit for work	463,0	11 253	3600	7.2
Minimum salary	X	X	13 000	26
Average salary	X	X	41 000	82

*Source: MLSI, NSS RA*

In addition to state programs of social assistance, distribution of humanitarian aid and separate charity and development programs are still being conducted in the Republic and all these are very significant in maintaining or improving the economic wellbeing of the population. Among those projects are the following:

- a) Humanitarian aid for the poorest families in four marzes of the Republic and in Yerevan city;
- b) Food for work;
- c) Food for training;
- d) Free food in charity soup- kitchens;
- e) Home care for the elderly and other related programs.

These projects are being implemented through both international donor organizations and local non-governmental organizations. The means testing system (vulnerability scoring) is applied for the distribution of humanitarian assistance as well.

### ***2.3. Recent research and analysis underpinning policy development***

As mentioned above, the biggest state program of social assistance is the System of Poverty Family Benefits, which is, however, unable to satisfy the needs of everyone who is vulnerable given the current economic situation. The funds allocated for social assistance cover only the 18-20 percent of the population or a third of the poor population (population below the poverty line).

Given the current situation in the Republic, in particular, the existence of the hidden economy, the high level of poverty and the lack of workplaces, it is clear that the current targeting mechanism does not reach all those in need. However, it is the best available at this moment and activities continue to achieve better targeting to move from the indirect method of evaluation of vulnerability to a direct method. Meanwhile, many ongoing projects within program are targeted to address special cases and the need for better targeted assistance within the family benefit program is always a major focus of the Ministry of Labor and Social Assistance.

Actions to increase the targeting of the Poverty Family Benefits Program covered the following areas:

- Public awareness campaigns;
- Observation of the living conditions of households covered by the program;
- Development of proper social policy on the basis of the households living standards surveys.

Activities aimed at increasing targeting and public awareness about the Poverty Family Benefits Program have been conducted mainly with technical assistance of Armenia

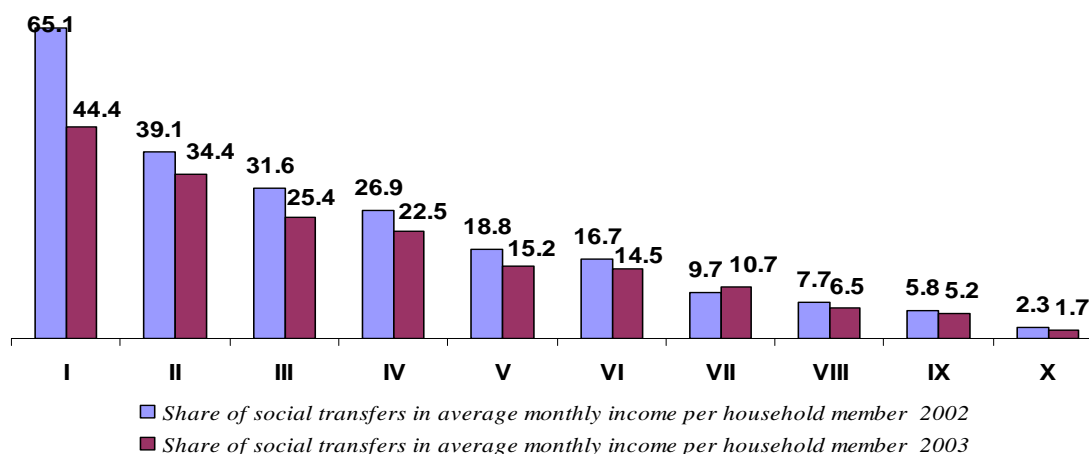
Social Transition Program implemented by PADCO Inc. with USAID financing. Between November 2000 and November 2002 the Armenia Social Transition Program has conducted four panel surveys among 1300 households in four marzes of the Republic- Shirak, Lori, Syunik and Gegharkunik, and in Yerevan city. The purpose of the surveys was to monitor the changes in public perception of, knowledge of and use of social services. Four surveys were conducted and key results from these surveys were:

- Households were generally aware of the Poverty Family Benefits Program and the level of awareness has increased over time,
- The proportion of households that are well aware of Poverty Family Benefits program, i.e. knew the details of the program, has increased among those households that were aware of it,
- Family benefit is the most important and main source of income for almost all beneficiary families (99 %) and the benefit is mainly spent on food and electricity payments,
- More than 2/3 of households who were aware of the Poverty Family Benefits program were also aware of the procedures of registration/re-registration in the system,
- Lump-sum assistance was allocated to the 10% of households not entitled to Poverty Family Benefits,
- There was an increased level of awareness of the appeals procedure,
- Respondents mainly tend to have a negative attitude towards the Poverty Family Benefits program stating that the system is not targeted well and often benefits are allocated to families not of severe need, though 89% of those households that were aware of the program and 93% of beneficiary families felt that the program is necessary,
- A greater number of vulnerable families receive Poverty Family Benefits; the lower the living standards are the higher are the number of registered families and proportion of beneficiary families among them.

The decile distribution of population by sources of income show that the social transfers contribute highly to average monthly income of population in lower decile groups compared to income from salaried work or other sources.



Exhibit 1. Share of social transfers in the average monthly income of households  
In percents per household member



*Source: NSS RA Social Snapshot and Poverty in Armenia*

The results of the household living standards survey conducted by Republic of Armenia's National Statistical Service (NSS) annually during 2001-2003 showed that families with many members and especially those having more than 3 children under 16 years of age are the most vulnerable group in society. Regression analysis conducted on the basis of the survey results<sup>2</sup> show that:

1. The presence of one child under 14 years of age in the household increases the probability of being poor for members of the household by 2.0%, compared to those households with no children.
2. The presence of two children under 14 years of age increases the probability of being poor by 9.6 %, compared to those households with no children.
3. The presence of three or more children under 14 years of age increases the probability of being poor for members of the household by 11.4 %.
4. The presence of more than two children at the age of 5 increases the probability of being poor by 4.5%.

The State social assistance system of PFB system estimates the level of household vulnerability by considering the number of children under 18 years of age. For purposes of comparison, the NSS RA attempted to estimate the level of poverty for households surveyed that have children under 18 years of age. 62.3% of households surveyed have at least one child under 18 years of age and their distribution by number of children and by level of poverty also prove that the households with children under 18 years of age and especially those with three and more underage children, barely exceed the level of poverty

<sup>2</sup> Hereinafter the references on NSS survey of households are taken from the Social Snapshot and Poverty Report prepared by NSS RA in collaboration with Hasmik Ghukasyan.

but exceed the food line only due to state social assistance (see pre-transfer analysis of poverty level, Table 3).

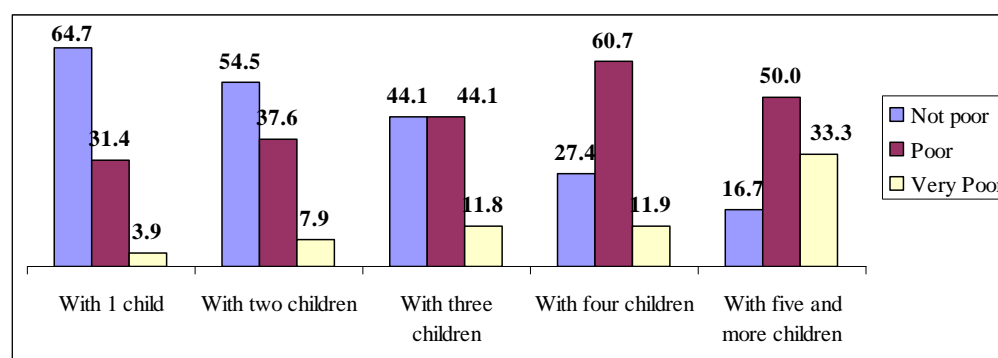
**Table 2. Distribution of Households with Children Under 18 Years of Age by Number of Children and By Level of Poverty**

In percents

	Proportion of households with children under 18 years of age	Including by level of poverty		
		Not poor	Poor	Very poor
Total households with children under 18 years of age Including:	100	55.2	37.3	7.5
With 1 child	36.2	64.7	31.4	3.9
With two children	42.9	54.5	37.6	7.9
With three children	16.9	44.1	44.1	11.8
With four children	2.9	27.4	60.7	11.9
With five and more children	1.1	16.7	50.0	33.3
Total average level of poverty	...	63.7	30.7	5.6

*Source: NSS RA Social Snapshot and Poverty in Armenia*

**Exhibit 2. Distribution of Households with Children Under 18 Years of Age by Level of Poverty**



*Source: NSS RA Social Snapshot and Poverty in Armenia*

This key finding was also substantiated in the results from the Household Survey of 1500 families registered in the Poverty Family Benefit system in 2000-2001 and the study conducted among 2000 families in Aragatsotn Marz in (the studies were conducted by MLSI).

It was evident that the Ministry of Labor and Social Issues needed to develop a policy that would target the scarce funds for social assistance allocated from the state budget to the most vulnerable and needy group – the children, who have no source of income.

### **3. Improved Targeting of the Poverty Family Benefits System**

#### ***3.1. Addressing the assistance to vulnerable families with children***

The system of poverty family benefits underwent certain changes during the five years of its operation. State budget funds allocated for family benefits decreased annually until 2003 from 21.142 billion drams (40 million dollars) in 1999 to 12.250 billion drams (23 million dollars) in 2002.

Given this situation the main social policy issue was to ensure that state assistance and social protection was provided to children, who were seen as the most vulnerable group of the population, i.e. to assure a prioritized approach for providing social assistance mostly to children.

Up until 2001, the amount of family benefit was calculated by giving the family the base benefit – 3500 drams, plus a supplement of 1300 drams for each family member.

$$3500 + 1300 \times N, \quad (3)$$

where N was the number of members of the household.

Under this scenario the size of the benefit depended on the number of household members.

In 2002, a new scenario for the distribution of funds for family benefits was introduced

$$4000 + 1500 \times N_b, \quad (4)$$

where  $N_b$  is the number of children under 18 in the family.

This resulted in a simultaneous increase both in the base benefit – from 3500 drams to 4000 drams and in the supplementary amount – from 1300 to 1500 drams, but the latter was paid only for children.

From the very first year of the introduction of the poverty family benefit system, part of the budget was earmarked to provide monetary assistance – lump sum assistance - to families, who were not recognized as poor by the system scoring but who genuinely needed state assistance. The arrangements for providing this type of social assistance also underwent changes during these years. Initially, such decisions were made by the local self-governance body, but in subsequent years, society was also involved in the decision-making process through the creation of social assistance councils, whose members were state officials, representatives of local self-governance bodies and NGOs. The amount of lump sum assistance paid also changed. During the first year, it was allocated at the same level as the base poverty family benefit for 6 months, and then it was subsequently reduced to three months.

In this way, it was possible to implement the allocation and payment of family benefits and lump sum assistance within the budget allocation without giving rise to any more or less serious complaint from beneficiaries. It also became possible to target these scarce budget funds to the most vulnerable group – the children.

However, two negative results followed – approximately 20,000 families, especially those composed of pensioners, were removed from the system and the average amount of family benefit decreased to 6,495 drams (about \$13) instead of the previous 7,400 drams (about \$14).

In 2003 for the first time, there was an increase in the RA State Budget allocated for family benefits, which was also addressed the needs of children. From July 2003, the supplementary amount provided for the underage members of the family increased from 1,500 to 2,000 drams resulting in an increase in the amount of the average monthly benefit for the first time. The average amount of monthly benefit in 2003 was 7,000 drams. The average monthly number of beneficiary families was 139,706 (63.5% of those registered), and a further 25,616 families received lump sum assistance each month.

In 2004 there was an increase in the average amount of poverty family benefits as well, which was because of the increase in the base amount of poverty family benefits and in the supplementary payments provided to children.

In addition, for the first time there was a differentiation in the amount of the poverty family benefit paid based on the vulnerability score of the family. Taking into account the results from the Household Living Standards Survey showing that children are the most vulnerable social group, the supplementary amount for the most needy children entitled to benefits was set at 3,000 drams, while the supplementary amount for others was set at 2,500 drams. Out of 216,000 families currently registered in the system, almost 169,000 families receive either poverty family benefits and lump sum assistance. There were almost 135,000 PFB beneficiaries. There are 210,000 children in beneficiary families and 92,000 children receive the higher rate -3000 dram supplementary payment.

For state social assistance 20207.0 million drams (\$ 40.0 mln) are envisaged by RA State Budget of 2005, which is 26% more as compared with the previous year. Like for previous years, this amount will be addressed to children as well.

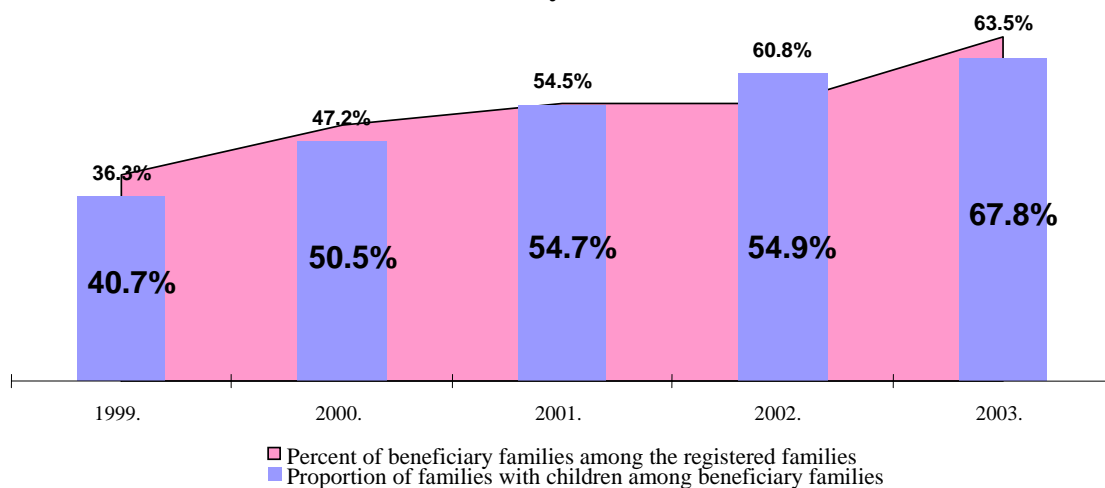
In 2005 the number of beneficiary families and lump sum assistance recipients in the Republic is expected to remain the same and this will mean that the average amount of poverty family benefit will increase.

These changes in supplementary payment for children, as well as the economic growth recorded in the Republic, are reflected in the number and composition of families receiving poverty family benefits. Recently the number of beneficiary families with children has gradually increased. In addition, the public awareness programs aimed at improving the public understanding of objectives and principle of PFB system, which were initiated by MLSI with technical assistance of USAID's Armenia Social Transition Program implemented by PADCO inc. since 2000, could also enlighten why the number of registered households is decreasing. The data by years are provided below:

**Table 3. Proportion of PFB Beneficiary Households in RA 1999-2003<sup>3</sup>**

	1999	2000	2001	2002	2003
Registered households (% of the number of households of RA)	67.70	52.85	43.99	38.61	28.37
Beneficiary households (% of registered households)	40.68	50.52	54.70	54.86	67.84
Beneficiary households (% of households in RA)	27.54	26.70	24.06	21.18	19.25

**Exhibit 3. Changes in proportion of families with children among PFB beneficiary families**



The comparative graph above showing the increase in the number of beneficiary families and the increase in the number of families with children under 18 years of age, indicates also that the increase of the number of beneficiary households was rather active in the initial years, then slowing gradually, while the number of families with children continued to rise. The comparison of these data with the results received from Household Living Standards Survey being conducted by RA NSS provides the following conclusions:

- As economic growth rates and availability of new work opportunities improve and there is an increased level of public awareness, the number of households who apply for state assistance is reducing;

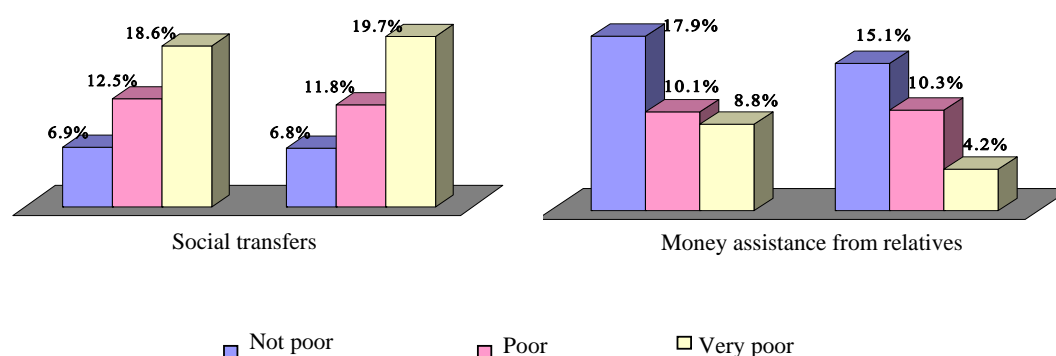
<sup>3</sup> Source<sup>a</sup> MLSI RA

- The poverty family benefit system is becoming better targeted from year to year: Social assistance policy is targeted at the most vulnerable group – the children - who receive almost no other types of assistance;
- Targeted social assistance also has its impact on the reduction of the level of poverty, particularly on the reduction of the extreme poverty;

Over the last two years, this policy resulted in a reduction in the proportion of the extremely poor population. So, for example, the percentage of very poor population was 16.0% in 2001, and then already in 2003 it has reduced to 7.4.<sup>4</sup>

The results of the Household Living Standards Survey demonstrate that state transfers are a very important source of income for the very poor. Social transfers comprise 19.7% of total income of very poor population, while for the not poor group, assistance received from relatives is a more crucial source of income (15.1%).

**Exhibit 4. Proportion of the monetary assistance received from relatives and state transfers by level of poverty in 2002 and 2003.**

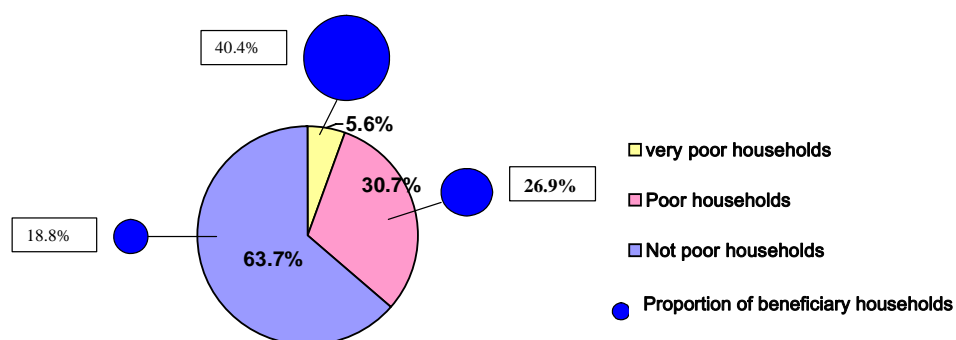


Social transfers, i.e. pensions, family benefits, etc., form a major part of the incomes of the poor. Of the total households surveyed, the proportion receiving poverty family benefits was 22.5%, of which, 40.4% were among very poor households, 26.9% are among poor households, and 18.8% are among not poor households (these calculations are based on post-transfer indicators). These results help to confirm that 40.4% of beneficiary households did not exceed even the Food Line. Only 26.9% of such households managed to surpass it, and 18.8% could rise above the poverty line.

<sup>4</sup> The NSS RA divided the population of the country into three groups according to the level of welfare:

1. **Not poor population** - the sector of population whose average monthly per capita expenditure (consumption aggregate) exceeds the value that determines the cost of minimum consumer basket.
2. **Poor** - the sector of the population whose average monthly per capita expenditure (consumption aggregate) is lower than the value that determines the cost of minimum food basket.
3. **Very poor** - the sector of the population whose average monthly per capita expenditures (consumption aggregate) is lower than the poverty food line.

**Exhibit 5. Distribution of beneficiary households by the level of poverty**



It is possible to estimate how significant social transfers are as a source of income for the poor by analyzing the changes in poverty incidence after taking off the amount of social transfers from the total income of households surveyed. If it is excluded from the consumption aggregate, the population would be re-distributed by the level of poverty. The table below demonstrates that the level of extreme poverty would be 9.7% or an increase of 31%, and the general poverty level would be 44.2%.

If the payment of pensions were also to be excluded as well as social assistance payments, the level of poverty will increase to 49.9% and the level of extreme poverty would be 16.2% an increase by 2.2 times.

**Table 3. Post-transfer and pre-transfer levels of poverty**

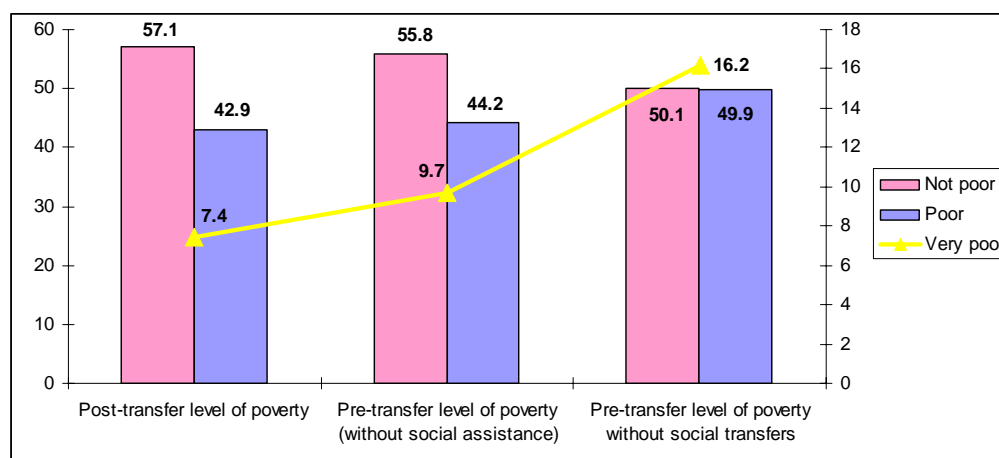
**In percents**

	Post-transfer level of poverty (by population)	Pre-transfer level of poverty	
		without social assistance*	without social transfers**
Not poor	57.1	55.8	50.1
Poor	42.9	44.2	49.9
including Very poor	7.4	9.7	16.2

\*) social assistance includes compensations for privileges, child benefits and benefits for single mothers, unemployment benefits, stipendiums and poverty family benefits

\*\*) social transfers include the above mentioned social assistance and pensions

**Exhibit 6. Post-transfer and pre-transfer levels of poverty**



### *Other state social programs*

#### *3.2. Assistance to female headed families*

The results of population living standards surveys conducted by the NSS demonstrate that the poverty level of those who live in female headed households is higher than the poverty level for the total population (in the latest survey the figures are as follows: 43.3% versus 42.9% correspondingly).

This difference could be explained by the fact that some female-headed households have larger numbers of both children and elderly persons. The social burden per one employed member of female-headed households is 2.4, while the general indicator of the republic is 2.3.

**Table 5. Level of Poverty of Those Residing In Female Headed Households**

*In percents*

	Female Headed Household		Total Households Surveyed	
	2002	2003	2002	2003
Not poor	48.6	56.7	50.3	57.1
Poor	35.7	35.2	36.6	35.5
Very poor	15.7	8.1	13.1	7.4

The PFB system does not consider female headed households as a separate group. However, for comparative analysis and taking into account that divorced households, households with parentless children and single mothers are usually headed by a woman, these could be grouped as female headed households. 30% of beneficiary households are of this type, while women make up 58.6% of all recipients.



In addition to family benefits, working mothers may receive also a child allowance to care for children under 2 years of age. This program is implemented by regional offices of the Social Insurance Fund with State Budget funds. Only working women are entitled to child allowance for children under 2 years of age. The trends in the number of beneficiary women entitled to child allowance for children under two is presented below:

**Table 6. Number of beneficiary women entitled to child allowance for children under two**

<b>Years</b>	<b>Beneficiaries</b>
1999	10450
2000	10091
2001	8780
2002	7326
2003	7721

It is worth noting that the size of the child allowance for children under 2 years of age is very low; currently at 2300 AMD (\$4.5) and women who continue to work, receive only 50% of this allowance.

Lump-sum allowance at childbirth is also allocated as social assistance. This benefit is funded by the Social Insurance Fund. The annual number of childbirth allowance recipients is presented below:

**Table 7. Number of childbirth allowance recipients**

<b>Year</b>	<b>Beneficiaries (actual number of recipients)</b>
1999	26200
2000	24500
2001	25674
2002	25707
2003	28884

Since October 1, 2003, the amount of lump-sum childbirth allowance has been increased to 35,000 AMD (\$70).

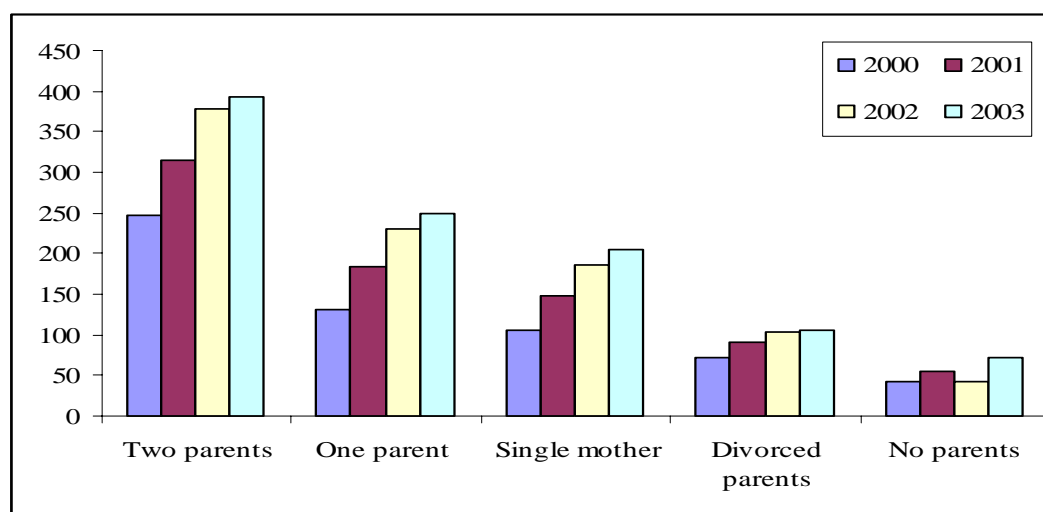
### ***3.3 Assistance to orphans***

576 households for orphans are registered in the PFB system of which 550 households receive benefits. There are 8 orphanages under the Ministry of Labor and Social Issues in

Armenia and 935 children are provided with all day long care in these orphanages. Two of these orphanages provide specialized services: the orphanage of Nor Kharberd for children with learning difficulties from 5 and 18 years of age and the orphanage of Gyumri for children with learning difficulties aged between 0 and 5 years.

Analyses of the families of children in orphanages show that many children still have parents, in other words, many of them are social orphans. The trends are shown by the following exhibit.

**Exhibit 7. Number of Children in Orphanages According to Family Status**



To prevent this tendency, MLSI is currently studying international experience and the legal basis for introducing a new foster family social service in Armenia. The aim of this policy is to help children who are at risk of being placed in orphanages, to continue to live with their families or relatives/friends, or with other family and stay under family care.

During the last 10 years, the services for young persons leaving orphanages have been rather fragmentary and desultory. In 2003, 199 million AMD were allocated from the state budget to improve the social conditions of orphanage graduates. The program aims to ensure the social protection of orphanage graduates between the years of 1991-2003 and their integration into society. For this purpose it is planned to provide young people leaving orphanages with accommodation, education, and training, an income for basic needs, free health care, and legal assistance. For the 2004 program, 335,358.0 thousand AMD was allocated

### ***3.4. Assistance to persons with disabilities***

The key activities planned and implemented through the social security system to assist elderly people are social, medical and psychological assistance, provision of care and services at home and in-patient organizations.

There are 6 boarding houses in the Republic, four of which are under the supervision of the Ministry of Labor and Social Issues. About 900 elderly people live in these houses. The other two are non-state organizations. There is also a republican centre of social services for disabled and elderly people living alone.

The average daily expenditure per person under care is about 2400 AMD (\$4.7) and at present, citizens that apply for settlement at boarding houses face a waiting period of from 1 to 2 months.

About 1,200 disabled and elderly people living alone are provided with home care by the state.

It is necessary to expand the home care services in this area, not only because they are more acceptable for individuals as they do not have to leave their microenvironment, but also because it is less expensive to provide these services at their homes. The average daily expenditure on home care per elderly person living alone is about 100 AMD, which is approximately 24 times less expensive than providing the same services at boarding houses. Beneficiaries are provided with social and housing services, as well as with legal and psychological consultations, medical first aid, etc. at their homes.

The law on “Social Protection of the Disabled in the Republic of Armenia” includes provision for medical and social rehabilitation for persons with disability, i.e. facilitating their integration into society and a full life. In this way, they will be able to overcome any psychological fears of being a “burden” on their family and they will be able to work and at least partially satisfy their own needs, as well as reduce the social problems for their family. This approach is covered in the social policy and poverty reduction strategy.

About 4% of the 115,000 disabled persons in Armenia need various types of prosthetic-orthopedic and rehabilitation devices. And more than 5,500 people receive prosthetic-orthopedic and rehabilitation devices annually. Apart from state institutions, many NGOs with assistance of international organizations, provide home care services to elderly people living alone in Yerevan and in marzes. All these activities are coordinated with MLSI, which always provides methodological and practical assistance to organizations delivering similar services. Special activities are carried out in Armenia to improve the affordability and accessibility of roads, buildings and facilities for the disabled. Certain changes in legal acts related to disabled persons are currently being developed to bring them into line with UN standards for persons with disabilities.

### ***3.5. Benefit for Work Project***

The “Benefit for Work” project was introduced in Armenia in 2001. This project provides temporary employment and participants do not require specific professional skills to participate. 500 million AMD have been allocated from the state budget annually since 2001. For 2005, state funds allocated for this project have been increased. This project encourages individuals’ self-affirmation and averts the perception of social welfare as the continuous distribution of humanitarian assistance regarded as an entitlement by certain layers of population. Active social projects designed are called to change that way of thinking. The number of applicants to take part in this project has increased over these years and currently many successful projects are underway.

Under the project, local self-governance bodies and organizations regardless of their legal and organizational form may act as customers and submit the projects for state support. Each project is submitted to the Marz Employment Assistance Commission for consideration and then to Marzpet for approval. In 2001 over 305 projects were implemented nationwide, 8,285 persons were involved in them at a cost of 253, million AMD (\$502,039). In 2002, 449 projects were implemented involving 11,253 persons at a cost of 404 million AMD (\$800,772), and in 2003, 463 million. AMD (\$916,831) were spent for this project.

## **4. New Directions of the Social Assistance Policy**

### ***4.1. Development of the minimum consumer basket and minimum consumer budget***

The Law on Minimum Consumer Basket and Minimum Living Standards Budget, which came into force on March 16, 2004 defines the legal basis for computation and approval of the minimum consumer basket and minimum living standards budget, as well as regulates activities in relation to state social policy implementation. According to the Government Decree, the Ministry of Health is responsible for compilation of the minimum food basket while MLSI is responsible for calculation of the non-food part of the minimum basket based on the results of households living standards surveys of NSS.

The defined and approved minimum consumer budget will serve as a basis for defining the amount of minimum salary, pension, and state social assistance. The Academy for Educational Development (AED) Armenia office, the training contractor of the US Agency for International Development (USAID), in collaboration with PADCO Armenia office organized an international workshop on “Consumer Basket: Definition and Approaches for Development” which took place on December 8-10, 2004 in Yerevan. The goal of this workshop was to introduce to Armenian professionals the concept of Consumer Basket, its design, development and implementation as well as the ways of regularly updating it once it had been established.. In addition, experiences and lessons learned in countries such as Poland, Lithuania, Latvia and Bulgaria were presented to give participants a better insight

of the methodologies and activities associated with the establishment, implementation and updates of the consumer basket in those countries.

#### ***4.2. Future trend.***

The Government's Poverty Reduction Strategy Paper (PRSP) foreshadows a decrease in the number of families on poverty benefits as economic developments and economic growth continue to improve. This objective should also be achieved by continuously improving the targeting of the system. The average size of benefits should also increase, but for 2005 the number of beneficiaries is expected to remain unchanged. Another new approach in PFB allocation for 2005 will result in an increased base amount of benefit and differentiation of the supplement amount into three levels: for mountainous settlements, high mountainous (2000m and above the sea level) and border settlements.

#### ***4.3. Suggested new policy – introduction of a system of compensations for charges on communal services within the poverty family benefits system***

Preliminary discussions are currently taking place among policy developers to suggest as a new social policy the provision of social assistance to insolvent and poor families as a result of an increase in tariffs for public utilities. It is suggested a means-tested system be used to provide monetary assistance to these families to as partial compensation for the public utilities fees. Armenia has had some experience with this approach when compensations for electricity bills were paid in 1999. Under that program, compensation for electricity bills was allocated to a beneficiary household as a supplement to the basic benefit without any differentiation or precondition. Households who were not recipients of PFB but who were unable to pay their electricity bills when the new tariffs were established, received compensation of 1,450 drams (\$3.6) again without any preconditions. In reality, although households received social assistance for a specific purpose, there was no mechanism to track whether that amount was used for that purpose or not.

On the basis of experience gained and analyzing the current needs the following approaches are suggested:

- To define the size of the assistance considering the number of household members;
- To allocate the social assistance to households who are subscribers of the given public service provider;
- To terminate the payment of social assistance if the household periodically (for two or three months) does not pay for services provided and include this point in the list of statements for termination of payment of the social assistance.

The subsidy for public services should be considered as a part of the total compensation provided to insolvent households, using the same preconditions for other parts of that compensation. Thus the households would receive one compensation for different services,

but where they fail to pay a public service provider the size of the assistance could be adjusted according to the type of service provided.

#### ***4.4. Anticipated results from the new social policy***

Over recent years, the targeting of the program has continued to improve and currently it is considered as one of the best in the region. However, it has not reached the point where the problem has been solved. Therefore, state authorities continue to focus on increasing the size of benefits, as well as on improving the targeting of the system. Initiatives to improve targeting have been implemented in the following areas:

1. Improvement of the families vulnerability system on the basis of data received from the Households living standards survey, which will bring to improved targeting;
2. Improvement of mechanisms for application of a differentiated approach when providing state social assistance i.e. the type and the size of social assistance provided should be adequate for the social needs of a given household or individual;
3. Transfer stage by stage some social services to local self-governance bodies on the basis of the surveys conducted in communities;
4. Introduction of new forms of social assistance on the basis of improved effectiveness of social assistance programs, especially enhancement of the network of services provided to the elderly and the disabled at home, as well as establishment of social -psychological rehabilitation centers;
5. Development of a safety net system for vulnerable groups in the face of increasing tariffs on public/housing services, i.e. implementation of target programs that ensure equal accessibility and affordability of housing services at a minimum standard level.
6. Reforms in the social assistance management system – to ensure improved quality of provision of social services, equal access to them, delegation of the decision-making to regional bodies.
7. Development of social partnerships in the sphere of social assistance, especially through the operation of social assistance councils.

Public participation in state social assistance programs is very important; it is also necessary to support the work of Social Assistance Boards at the RSSAs and to involve the public in more areas of activity. Currently these structures are among few links that help to ensure the participatory process. The public also has a responsibility to improve social welfare in the country and more active involvement of public representatives in this process is both desirable and beneficial.

This will help to increase public participation in the utilization of state funds, to make it more transparent, democratic, and effective, and to build trust in public authorities.

## Annexes

Method of vulnerability scoring used in the system of family benefits.

*Table 1*

N/N	Social categories (risk groups) used in the system of family benefits	Category weight – $P_k$
1	Orphan	50
2	1 <sup>st</sup> group disabled	48
3	Disabled from childhood (age - under 16)	45
4	One parent children	43
5	2 <sup>nd</sup> group disabled	39
6	Pensioners aged over 75	39
7	Single pensioner	36
8	Children under 2	35
9	Pensioners (under 75)	34
10	Children aged 2-18	33
11	Pregnant women (after the 20 <sup>th</sup> week of pregnancy)	30
12	3 <sup>rd</sup> group disabled (before retirement age)	28
13	Unemployed	27
14	Children of single mothers	26
15	Children of divorced parents	26
16	Student on state scholarship (until age 23)	22
17	No category	20

Each social category brings additional points to the scoring which is the weight of the given category in the scale of vulnerability. Table 1 gives the full list of the 17 social categories (sometimes stated as social risk groups) that are taken into account and each category is assigned a weight (points). The higher the score, the higher is the level of vulnerability.

The same person might belong to more than one social category. In that case individual scoring  $P_p$  is calculated as weighted average of the points for applicable categories: the category with a larger weight gets a ratio equal to 1.0, the second prevailing category gets a ratio of 0.3 and the third and following categories get a ratio of 0.1. For instance a 17 year old child (category 10) might be a child of divorced parents (category 15), a student (category 16) and a 3<sup>rd</sup> category disabled (category 12). In this case his/her individual scoring will be calculated by the following formula:

$$P_p = P_{10} + 0.3 \times P_{12} + 0.1 \times (P_{15} + P_{16}) = 33 + 0.3 \times 28 + 0.1 \times (26 + 22) = 46.2$$

Ratio for “Housing conditions” is defined from Table 2 and does not require additional clarifications.

**Table 2**

Housing conditions	Ratio
Domik(temporary house)	1.2
Homeless	1.07
Dilapidated building (3 <sup>rd</sup> or 4 <sup>th</sup> degree of dilapidation)	1.05
Hostel	1.03
Other	1.02
Permanent dwelling	1.00

### **References**

1. Quarterly Reports of Social Assistance Department of MLSI
2. Social Snapshot and Poverty in Armenia Statistical Analytical report of NSS RA 2004.